



Session #18

Cohort Default Rates

Default Management Division Contact Information:

Main Line: 202-708-6048

Hotline: 202-708-9396

Email: OSFA_IPOS_Default_Management_Division@ed.gov

Tammy Taylor: 202-205-5636 (tammy_taylor@ed.gov)

Nancy Hight: 202-708-5264 (nancy_hight@ed.gov)



This Session Will Cover

- Cohort Default Rate Calculation
- Effects of Cohort Default Rates
- Loan Record Detail Report
- Draft Cohort Default Rate Challenges
- Official Cohort Default Rate Adjustments/Appeals

Cohort Default Rate (CDR)

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a given fiscal year and default or meet other certain conditions during the fiscal year that the loan entered repayment or the next fiscal year.





Fiscal Year (FY)

October 1 - September 30

- FY 1998
 - October 1, 1997 September 30, 1998
- FY 1999
 - October 1, 1998 September 30, 1999
- FY 2000
 - October 1, 1999 September 30, 2000





Cohort Period Time Frame Chart

Cohort	Period of Time	
Period	Default Rate Calculation	
FY 1998	Borrowers who entered repayment on their loans in FY 1998 and defaulted in FY 1998 or FY 1999 Borrowers who entered repayment on their loans in FY 1998	10/1/97 to 9/30/99 10/1/97 to 9/30/98
FY 1999	Borrowers who entered repayment on their loans in FY 1999 and defaulted in FY 1999 or FY 2000 Borrowers who entered repayment on their loans in FY 1999	10/1/98 to 9/30/00 10/1/98 to 9/30/99
FY 2000	Borrowers who entered repayment on their loans in FY 2000 and defaulted in FY 2000 or FY 2001 Borrowers who entered repayment on their loans in FY 2000	10/1/99 to 9/30/01 10/1/99 to 9/30/00





Loans Included in CDR

- William D. Ford Federal Direct Loan (Direct Loan) Program Loans
 - Subsidized Stafford loans
 - Unsubsidized Stafford loans
- Federal Family Education Loan (FFEL) Program Loans
 - Subsidized Stafford loans
 - Unsubsidized Stafford loans
 - Supplemental Loans for Students (SLS)



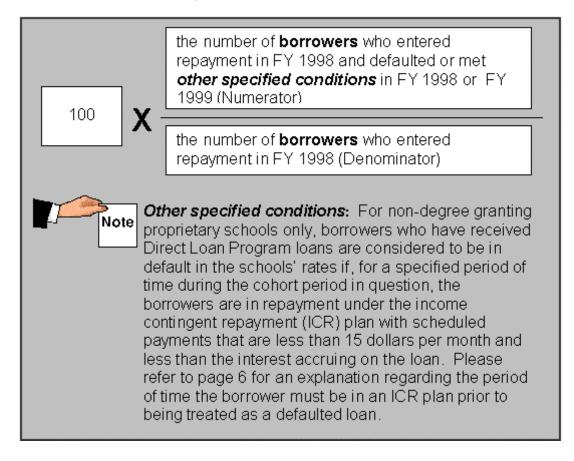


Types of CDR Calculations

- Non-Average (draft and official CDR release)
 - 30 or more borrowers
- Average (official CDR release)
 - 29 or fewer borrowers
 - -3 years of data
- Unofficial (official CDR release)
 - 29 or fewer borrowers
 - less than 3 years of data

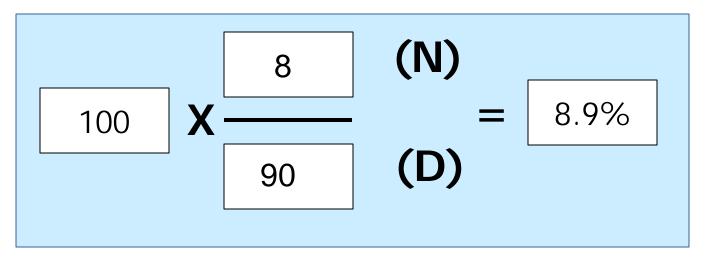
Non-Average CDR Calculation

Calculation: For a school with **30 or more** borrowers entering repayment in a fiscal year



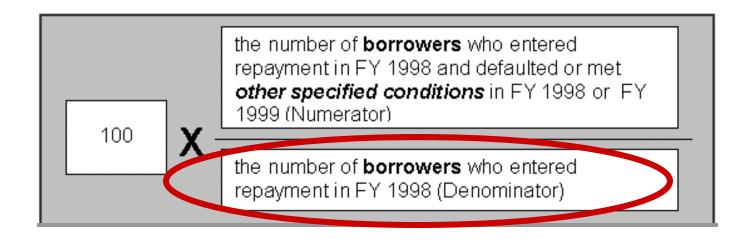
Non-Average CDR Example

Calculation: For a school with **30 or more** borrowers entering repayment in a fiscal year



Example: 117 loans for **90 borrowers** entered repayment and **8 borrowers** defaulted on a total of 16 loans

Determining the Denominator of the CDR



- For Stafford Loans (DL and FFEL)
 - Determine date entered repayment (DER)
 - LDA/LTH plus six months plus one day
 - Determine FY for DER

*Examples of Determining the Denominator

Stafford Direct Loan

- -LTH = 9/17/1996
- -DER = 3/18/1997
- -FY = 1997 Denominator (D)

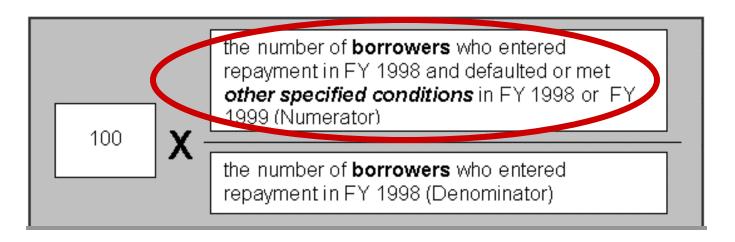
Stafford Direct Loan

- -LDA = 1/29/1999
- -DER = 7/30/1999
- -FY = 1999 Denominator (D)

Stafford FFEL Loan

- -LDA = 1/15/1998
- -DER = 7/16/1998
- -FY = 1998 Denominator (D)

Determining the Numerator



Direct Loans

- Loan must be in the denominator (D)
- Calculate the number of days of delinquency
- Determine if the date falls within cohort period

FFEL Loans

- Loan must be in the denominator (D)
- Determine claim paid date (CPD)
- Determine if CPD falls within cohort period



Determining the Numerator

Direct L	oan Program Ioans	FFEL Program loans			
First date of delinquency is before 10/7/98	Default date determines CDR numerator (At least 270 days of delinquency) Example: First date of delinquency is 10/6/98	First date of delinquency is before 10/7/98	CPD determines CDR numerator (At least 180 days of delinquency plus CPD = ~ 270 days of delinquency) Example: First date of delinquency is 10/6/98		
First date of delinquency is 10/7/98 or after	Default date determines CDR numerator (At least 360 days of delinquency) Example: First date of	First date of delinquency is 10/7/98 or after	CPD determines CDR numerator (At least 270 days of delinquency plus CPD = ~ 360 days of delinquency) Example: First date of		
	delinquency is 1/5/99		delinquency is 1/5/99		



Examples of Determining the Numerator and Denominator

Effective October 7, 1998

Direct Loans

Loan #1

- DER = 9/16/1998
- DD = 6/20/1999
- FY = 1998 N/D (B)

Loan #2

- DER = 11/8/1998
- -DD = 9/19/2000
- FY = 1999 N/D (B)

Loan #3

- DER = 9/29/1999
- DD = 10/26/2000
- FY = 1999 D

FFEL Loans

Loan #1

- DER = 7/16/1998
- CPD = 9/15/1999
- FY = 1998 N/D (B)

Loan #2

- DER = 12/20/1998
- CPD = 9/19/1999
- FY = 1999 N/D (B)

■ Loan #3

- DER = 3/18/1999
- CPD = none
- FY = 1999 D



Loan Record Detail Report (LRDR)

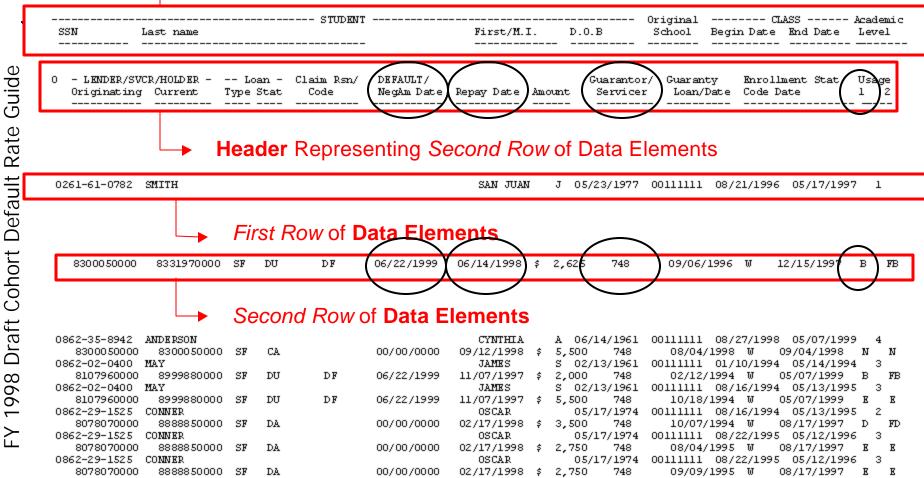
A loan record detail report is a report sent to schools which contains information on Direct Loan and/or FFEL Program loans that were used to calculate a school's cohort default rate.

Usage Code 1 Cohort Default Rate Usage					
Code Description					
D Denominator only					
В	Both Numerator and				
	Denominator				
N	Not Used				
E Eligible, but not					
	counted				



LRDR Body Header and Loan Level Data Sample

Header Representing *First Row* of Data Elements





Special Circumstances

Multiple Loans Per Student

- loans counted for school that certified loans
- student only counted once in calculation

Example

- Student has 5 loans
- 3 loans obtained at school other than yours
- 2 loans obtained at your school
- Only the 2 loans obtained at your school will appear in your school's calculation
- Student only counted once in calculation



Consolidation Loans

- actual loan **not counted** in CDR
- default may effect underlying loans in CDR

Example

- Direct Loan Stafford loans entered repayment in 1/1998 (FY 1998 Cohort Period)
- Consolidation loan obtained in 1/1999
- Consolidation loan defaulted in 9/1999
- Direct Loan Stafford underlying loans considered in default (FY 1998 Cohort Period)

More Special Circumstances

Consolidation Loans

- Entity that originally guaranteed/originated loan [the underlying loan(s)] is responsible for the date entered repayment
- Entity that is identified on the consolidation loan is responsible for the default status

SSN	Last <u>name</u>		STUDENT		First/M.I.	. D.O.E		iginal chool Begi		NSS End Date	Acad Lev	
0 - LENDER/S	VCR/HOLDER - g Current	Loan - Type <u>Stat</u>	Claim Ran/ Code	DEFAULT/ Negan Date	Repay Date i		marantor/ Servicer	Guaranty Loan/Date	Enrollm Code Da	ent <u>Stat</u> / ite	Usa	gre 2
0123-45-6789 8107960000	JACKSON 8326400000	sl fb		00/00/0000	CHRISTOPH 02/16/1998 ;		5/1972 00 748	362100 08/1 07/29/1992	5/1993	05/14/1994	E I	Ĕ
123-45-6789 8300840000 0123-45-6789	JACKSON 8300840000 JACKSON	CT DU	DF C	08/28/1999	CHRISTOPH 03/27/1998 (CHRISTOPH	27,994	(742)	888800 00/0 03/27/1998 362100 08/1		00/00/0000	N	Ñ
8107960000 0123-45-6789		SF PC		00/00/0000	02/16/1998 CHRISTOPH	2,500	748	09/09/1992		05/14/1994	В	FB
0101 0123-45-6789	555 JACKSON	D1 PC		00/00/0000	02/16/1998 ; CHRISTOPH	-,	0101 5/1972 00	12/29/1995 362100 05/1		./20/1995 08/13/1994	E	EE
0101 0123-45-6789	555 JACKSON	D2 PC		00/00/0000	02/16/1998 ; CHRISTOPH		0101	12/29/1995	W 11	./20/1995 05/13/1995	E	EE
0101	558	D1 PC		00/00/0000	02/16/1998		0101	12/29/1995		./20/1995	E	EE

Example of Calculating a Cohort Default Rate

Example: Tracy Nelson obtained a Stafford FFEL Program Loan to attend Electrical Training Institute. Tracy began attending Electrical Training Institute as a full-time student on July 31, 1997. Tracy subsequently withdrew from the school on November 18, 1997. After entering repayment on the Stafford FFEL Program loan, the loan defaulted and the claim was paid on December 29, 1999.

- A) When did Tracy's loan enter repayment? 5/19/1998
- B) In which cohort period is the loan included? FY 1998
- C) How is the loan included in the cohort default rate calculation?

Denominator



Effect of CDRs

The Department's regulations describe the effects of cohort default rates. There are no effects associated with **draft** cohort default rates. However, there are effects associated with **official** cohort default rates.



CDRs

- Draft CDR (spring)
 - not public
 - no effects
 - all schools may challenge
 - Draft Data Challenge
 - Participation Rate Index Challenge

- Official CDR (fall)
 - public
 - sanctions and benefits
 - only certain schools may appeal data
 - Uncorrected Data
 Adjustment (formerly Request for Adjustment)
 - New Data Adjustment
 - Erroneous Data Appeal
 - Improper Loan Servicing and Collection Appeal
 - Exceptional Mitigating Circumstances Appeal

A draft data challenge is the process by which a school challenges any errors contained in its draft cohort default rate data.

Eligibility

All schools are eligible to challenge

■Time frames

Postmarked within 45 calendar days
 (formerly 30 calendar days) of receiving
 the most recent draft CDR data



Receive draft CDRs and draft LRDR Review and
analyze each
borrower's loan(s)
shown on the
LRDR against the
school's records

Identify inaccurate data and provide supporting documentation and relevant LRDR

Prepare a spreadsheet for each GA/DLS where inaccuracies occur

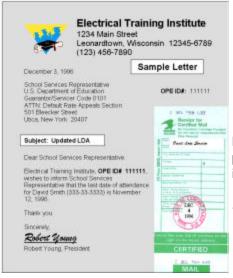
- Send the draft data challenge(s) to each GA/DLS where inaccuracies occur
- Send within 45
 calendar days of
 receiving the draft CDR data

GA/DLS responds within 30 calendar days



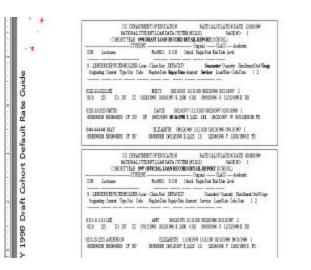
Review and analyze each borrower's loan(s) shown on the LRDR against the school's records

Identify inaccurate data and provide supporting documentation and relevant LRDR



Must provide proof that the information was timely submitted

For each allegation, submit copies of supporting documentation



For each allegation, submit copies of the **relevant LRDR**



Prepare a spreadsheet for each GA/DLS where inaccuracies occur

Send the draft data challenge(s) to each GA/DLS where inaccuracies occur within 45 calendar days of receiving the draft CDR data

GA/DLS responds within 30 calendar days



For each GA/DLS, provide a separate spreadsheet. Enter all relevant loans for each borrower.



For each GA/DLS, provide a separate letter.

See the DL bulletin dated February 2000 for the Direct Loan servicer address correction.

Participation Rate Index Challenge/Appeal

A participation rate index challenge/appeal is the process by which a school, that may be subject to 3 years of CDRs >= 25.0%, demonstrates that it has a low percentage of students that obtain Direct Loan Program loans and/or FFEL Program loans; and, when this percentage is multiplied by the school's CDR it results in an index <= 0.0375

Eligibility

- Draft All schools are eligible to challenge BUT only schools subject to 3 years of CDRs >= 25.0% will benefit
- Official Sanctioned schools are eligible to appeal

■Time frames

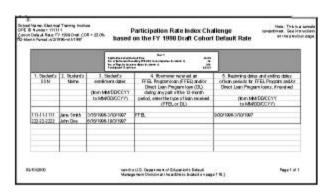
 Postmarked within 30 calendar days of receiving the most recent Page 101 CDR



Participation Rate Index Challenge

A school must submit its participation rate index challenge to the Department's Default Management Division within **30 calendar days** of receiving the draft cohort default rate data

Provide a spreadsheet to DMD.



The Department's Default
Management Division will
review the school's
participation rate index
challenge and provide a
response before the
official cohort default
rates are released

Provide a letter to DMD.





Sanctions Associated with Official CDRs

- 3	Sanction	Causes	Example	Consequences
	Initial Loss	3 most recent	FY 1998 = 27.3%	Loss for remainder of
	(Lose DL, FFEL,	CDRs are 25.0%	FY 1997 = 29.6%	fiscal year in which
	and/or Pell)	or greater	FY 1996 = 25.0%	school received notice
	200	457.63		PLUS two additional
				years
Gulde				Example: Notified of loss
3				on 9/25/2000
ا بے				Loss applies to FY 2000,
Kate	Extended Loss	Previous loss	FY 1998 = 28.7%	FY 2001, and FY 2002
<u></u> ⊨∣	(Lose DL, FFEL,	and subsequent	FY 1996 = 20.7% FY 1997 = 27.3% (lost eligibility)	The period associated with the previous loss
etault	and/or Pell)	CDR is 25.0% or	FY 1996 = 29.6%	remains effective PLUS
<u> </u>	and/or r city	greater	FY 1995 = 25.0%	an additional year
		grouter	11 1000 20.0%	Example: Notified of loss
Cohort				on 9/30/1999
5				Loss applies to FY 1999,
إ≓				FY 2000, FY 2001 AND
Draft				FY 2002
998	LS&T	Single year is	FY 1998 = 42.3%	Dependent upon the
<u>ح</u>	(Lose all or part	40.1% or greater	NOT subject FY 1998 = 40.0%	outcome of Subpart G
_	of Title IV	1990/2001	~	Hearing
ㅗㅣ	Programs)			DARKE.

See "Overview of the Effects of Cohort Default Rates" Section

FY 1998 Draft Cohort Default Rate Guide

Effective Dates of Initial Loss

- 📭 If School Does Not Appeal
 - Loss becomes effective within 30 calendar days of receiving notification of loss
- If School Timely Appeals and Wins Appeal(s)
 - School remains eligible to participate in loan/grant program(s)
 - School's loss of eligibility notification withdrawn
- If School Timely Appeals and Loses Appeal(s)
 - Loss becomes effective immediately upon receipt of appeal determination letter
 - School must refund all costs/fees associated with loans certified/delivered and/or originated/disbursed during



Effective Dates of Extended Loss

- If School Does Not Appeal
 - Extended loss becomes effective within 30 calendar days of receiving notification of extended loss
- Is School Timely Appeals and Wins Appeal(s)
 - The time period associated with the previous loss remains effective
 - School's extended loss of eligibility notification withdrawn
- If School Timely Appeals and Loses Appeal(s)
 - The time period associated with the previous loss remains effective PLUS an additional FY for the extended loss



Exceptions to Sanctions

- Unofficial Cohort Default Rates
- Average Rate with less than 5 borrowers
- Successful Adjustment/Appeal
 - Draft Participation Rate Index
 - Official Participation Rate Index
 - Economically Disadvantaged Rate
 - 30 or Fewer Borrowers in Three Years
 - Average Rates and Two Actual Rates Below 25.0%
 - New Data/Uncorrected Data
 - Improper Loan Servicing and Collection

"Information for Schools on Adjustments/Appeals" Official Cohort Default Rate Guide See

Official Adjustment/Appeal Types

Official Adjustment/ Appeal Type	Must the school be subject to sanctions to appeal?	Deadline for first activity required for adjustment/appeal*	Must the school have challenged during the draft?	Is the Direct Loan servicer or GA involved?	
New Data Adjustment	NO	10 working days	NO	YES	
Uncorrected Data Adjustment (formerly request for adjustment)	NO	30 calendar days	YES	YES (only during the draft data challenge process)	Data issues on LRDR
Erroneous Data Appeal	YES	10 working days	YES for disputed data NO for new data	YES	
Improper Loan Servicing and Collection Appeal	NO if appealing most recent year and CDR >20.0% YES if appealing 2 previous FY	10 working days	NO	YES	Servicing issues
Participation Rate Index Appeal	YES, only if initial or extended loss	30 calendar days	NO	NO	
Economically Disadvantaged and Placement Rates Appeal	YES	30 calendar days	NO	NO	Special
Economically Disadvantaged and Completion Rates Appeal	YES	30 calendar days	NO	NO	

^{*} Refer to the specific adjustment/appeal section in the FY 1998 Official Cohort Default Rate Guide for the first and subsequent activities associated with the time frames.



- Less than 10.0% for three years
- all schools, all students if the loan period is met
- may make single disbursements
- may make non-delayed disbursements to first time borrowers
- Less than 5.0% for one year
 - only schools that certify study abroad students and only for study abroad students, loan period does not matter
 - may make single disbursements for study abroad students
 - may make non-delayed disbursements to first time
 borrowers studying abroad

Challenge/Adjustment/Appeal Helpful Hints

- Check for eligibility (remember that all schools can submit a draft data challenge)
- Timing is critical
- Maintain copies of all challenge/appeal related material
- Submit all material by certified or overnight delivery
- Maintain documentation verifying receipt of all material



New information

- New Data Adjustment
- Student Repayment History Report
 - via NSLDS website
 - "NSLDS: We're on the Web", Session #37
- Electronic LRDR
 - via NSLDS website
 - "NSLDS: We're on the Web", Session #37

Information

http://www.ed.gov/offices/OPE/Data/97Default.html

- CDRs
- Sanctions/Benefits
- Press Package
- National CDRs
- Press Release
- Statement from Secretary
- http:/ifap.ed.gov
 - Statutes
 - Regulations
 - Dear Partner Letters
 - Training Announcements

- http://ifap.ed.gov/csb_html/new default.htm
 - CDR Guides
 - Myths about Default Prevention
 - HBCU Fact sheet ("HBCUs, Hispanic-Serving, and Tribal Controlled Colleges and Universities" Session #32
- http://www.nsldsfap.ed.gov
 - SSCR information
 - LDA/DER information
 - Student Repayment History Reports ("NSLDS - We're On the Web!" Session #37)
 - Electronic LRDR ("NSLDS We're
 On the Web!" Session #37)



QUESTIONS?

Default Management Division Contact Information:

Main Line: 202-708-6048

Hotline: 202-708-9396

Email: OSFA_IPOS_Default_Management_Division@ed.gov

Tammy Taylor: 202-205-5636 (tammy_taylor@ed.gov)

Nancy Hight: 202-708-5264 (nancy_hight@ed.gov)

